



Indiana Economic Development Corporation

August 4, 2009

One North Capitol, Suite 700
Indianapolis, Indiana 46204
Tel 317.232.8800
Fax 317.232.4146
www.AccelerateIndiana.com

Bryan W. Poynter
Chairman
Indiana Natural Resources Commission

Dear Mr. Poynter:

Pursuant to IC 4-22-2-28, the Indiana Economic Development Corporation ("IEDC") has reviewed the economic impact analysis for small business associated with rule changes proposed by the Indiana Natural Resources Commission ("NRC") on behalf of the Indiana Department of Natural Resources ("DNR") and contained in LSA Document 09-85. The proposed rule amends 312 IAC 18-3-18 concerning quarantine and the regulation of the spread of the emerald ash borer to provide standards for quarantine and add counties and townships to the quarantine area. Businesses impacted by the rule include: nurseries/nursery dealers, arborists, campgrounds, and firewood producers/retailers. DNR estimates that there will be 39 small businesses impacted by this rule.

The proposed rule defines certain regulated materials and requires that affected businesses may have to apply for and enter into a compliance agreement with DNR in order to process regulated materials. Costs occurring as a result of the rule include the time spent to apply and meet the guidelines that are set by the compliance agreement approved by the DNR. Although the agreement will be created and processed by the DNR, it is estimated that each small business will incur a cost of 0.5 man days to complete the paperwork to initiate the compliance agreement.

Nurseries will need to ensure that they keep accurate records of the recipients of ash tree stock being sold within the quarantined townships, ensuring that the trees do not leave the quarantined township. There is no anticipated cost for the nurseries to maintain records of the sale of ash trees. Costs incurred by sawmill and logging companies include, the amount of time necessary to manage the new recording and reporting requirements. The time estimate is 0.5 man days per month. Assuming that the average employee earns fifteen dollars (\$15) per hour, the annual reporting and record keeping costs to each small business would be \$720 per year. Arborists will also need to have compliance agreements in place and record exactly how and where ash materials are disposed. Industry chippers under compliance agreements with DNR are responsible for keeping records for routine maintenance. The time required to do the paperwork is estimated to be less than six (6) man days per year. Assuming that the average employee earns fifteen dollars (\$15) per hour, the annual reporting and record keeping costs to each small business would be \$720.00 per year. The costs incurred by campgrounds includes firewood management which involves training staff to ask campers if they brought firewood, exchanging firewood with campers if they brought firewood, and the collection and burning of firewood left at campsites. These administrative costs are not the result of the quarantine but the result of emerald ash borer presence near their campground. Thus there is no anticipated record keeping or administrative cost for campgrounds. Firewood producers that move regulated materials

outside of the quarantined areas would require a compliance agreement. The statement provided by the NRC estimates that according to a Division of Plant Pathology analysis there is only one registered business that is a firewood producer in the quarantined area. The administrative costs for the firewood producer in the quarantined areas are estimated be the same as sawmill/logging companies.

There is further impact to the small businesses that are in the quarantined area. Nurseries and nursery dealers in quarantined townships will most likely stop sale of ash seedlings or trees due the emerald ash borer's impact on the market. The trees can not be sold and moved outside the quarantined area because the only method to certify the tree free of the emerald ash borer would kill the tree. The economic impact to each of these small businesses in loss of revenue will be determined by how much ash material each business currently has in stock. A two (2) inch caliper ash tree can be sold for approximately one hundred and ten (\$110.00) dollars at wholesale and one hundred and seventy five (\$175.00) dollars at retail. Thus, the total annual economic impact may be a few hundred dollars to several thousand dollars from the loss of ash trees not sold and removed from inventory. The impact of the emerald ash borer and the United State Department of Agriculture/Animal and Plant Health Inspection Services ("USDA/APHIS") quarantine, which was instituted in 2006, has reduced if not completely eliminated the sale of ash trees in Indiana. Once the ash trees are removed, the nursery will have no further impact from the quarantine, and will not have any economic impact to comply with the quarantine.

Primary sawmills, those that process logs into sawn lumber, are a risk for spreading emerald ash borer from an infested forest. Secondary sawmills pose less of threat as these sawmills typically handle sawn lumber or other material that has already been mitigated in a manner that would decrease the likelihood of spreading emerald ash borer. Logging companies and timber buyers also pose a threat of spreading the emerald ash borer by moving infested trees. The economic impact to these small businesses would only apply if the small business in question handles ash material.

The economic impact to sawmills, logging companies and timber buyers involves additions and changes to the business operation to comply with the quarantine. These changes include the transportation of logs from forest to sawmill, and cutting the wood in an expedited manner to comply with the quarantine. Making these changes may incur additional operating cost small businesses. As part of the quarantine, during the summer, ash logs must be moved in completely enclosed vehicles to prevent further spreading. Sawmills and loggers may choose not to handle ash during the summer season. The annual cost per business to comply is expected to be minimal. DNR estimates the cost to be \$720 a year, which does not include impacts for businesses who choose not to handle ash.

For arborists, it is estimated that the economic impact will occur through additional handling and hauling of regulated ash material, as well as the mitigation and disposal of ash material. The costs may be passed on to the consumer or they may be absorbed through the sale of mitigated ash material. The DNR, Division of Entomology and Plant Pathology have recently instituted a program to assist arborist and the chipper industry with compliance. The program certifies the chipper once a year with the business having a one time cost of 0.5 man day per crew of two employees. With an estimated hourly wage at fifteen dollars (\$15.00) per crew member, the estimated cost to small business per chipper would be one hundred and twenty

dollars (\$120.00) per chipper. By placing the chippers under compliance agreements for up to a year and monitoring the effectiveness of the chipper in question, the DNR is able to ensure compliance with the rule and materials chipped by these chippers are deregulated prior to exiting quarantined areas. The annual economic impact per arborist business is expected to be minimal, approximately \$840 per year. This includes the cost of having each business' chippers under a compliance agreement for mitigation of regulated articles.

For firewood producers the economic impact involves changes to business operations to comply with quarantine requirements. This includes ensuring that regulated material is not being moved outside of quarantined areas without mitigation. The annual economic impact to comply is estimated to be minimal.

As stated above nurseries, nursery dealers and campgrounds will not be impacted directly by the imposition of this rule. Nurseries and dealers have already been impacted by the imposition of the federal quarantine instituted by the USDA/APHIS and most heavily impacted by consumer awareness of the emerald ash borer and the possibility and probability of this invasive species infesting trees in Indiana. Campgrounds will not be economically impacted directly by the rule but by their willingness to comply with the rule to restrict movement of firewood into their private forests. If any economic impact would occur to private campgrounds, it would be in the form of lost business if customers refuse to camp where they could not bring their own firewood. Sawmills (primary and secondary), logging companies, timber buyers, and arborists will be impacted only if they utilize regulated ash material. Considering the federal and state quarantines, many companies may decide to stop using these materials in favor of non-quarantined materials. The total potential economic impact to all small businesses in the quarantined area is \$7,440.00. This analysis is based on the assumption that every small business in the quarantined area would require a compliance agreement and utilize regulated materials. It is the opinion of the DNR that only one half to three quarters of the small businesses analyzed in the proposed quarantine area would require a compliance agreement. This would significantly reduce potential economic impact to small businesses in the quarantined area.

This rule is made to comply with a rule directed by the United States Department of Agriculture. The rule is to ensure that the ash tree population, upon which many small businesses depend, does not continue to deteriorate. The impact statement notes that the rule only impacts those businesses that choose to handle the regulated material. Those that choose not to handle ash trees or ash tree products will not be impacted. The statement also explains that costs to businesses to comply with the rule for those that choose to handle regulated material are not substantial. The IEDC does not object to the economic impact to small business associated with this proposed rule.

If you have any questions about the comments contained herein please contact me at 232-8962 or rasberry@iedc.in.gov.

Regards,



Ryan Asberry
Assistant Vice President